

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 TRSE-00 EB-07 AGR-05 ABF-01 OMB-01

XMB-02 AID-05 L-02 SS-15 NSC-05 CIAE-00 INR-05

NSAE-00 RSC-01 COME-00 PRS-01 SWF-01 FRB-01 CIEP-01

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R 161420Z DEC 74

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 2191

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EO 11652: N/A

TAGS: EFIN, SY, US

SUBJECT: CLAIMS NEGOTIATIONS

REF: DAMASCUS 2778

1. SUMMARY: SECOND US-SYRIAN CLAIMS NEGOTIATING SESSION HELD DEC 14. SYRIANS AGREE WITH OUR PL 480 FIRST AND SECOND GENERATION FIGURES, BUT ON REPAYMENT OF LATTER THEY SUGGESTED SEVERAL WORKING-LEVEL ALTERNATIVES TO WHICH WE GAVE NO COMMITMENTS IN ANY FORM BUT AGREED TO PRESENT TO WASHINGTON. EXIM CLAIM STILL STUCK WITH LOW ASSESSED ASSETS OF BOUSTANI FIRM, BUT POSSIBLY HELPFUL WRINKLE INTRODUCED IN THAT BOUSTANI NOW NEGOTIATING OTHER CLAIMS AGAINST HIM IN SYRIA SO HE MAY RE-ENTER BUSINESS HERE. SYRIANS PROMISED TO INSERT EXIM CLAIM INTO THESE NEGOTIATIONS WITH BOUSTANI. ON DOLLAR GRAIN STORAGE LOAN, SYRIANS STILL AWAIT WORD ON ACTUAL TURN-OVER OF MATERIAL TO SARG UNDER THIS LOAN. ACTIONS REQUESTED FOLLOW EACH SEPARATE CLAIM DISCUSSION BELOW. END SUMMARY.

2. SECOND US-SYRIAN CLAIMS NEGOTIATING SESSION CALLED BY MINECONOMY IMADI AND MIN FINANCE SHARIF ON SATURDAY, DEC 14. ALSO PRESENT WAS DEPUTY ECONOMY MINISTER ABDULLAH
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AZMEH. AMBASSADOR AND ECONOFF REPRESENTED US SIDE.

IN RESPONSE TO OUR INITIAL PRESENTATION NOV 20 (REFTEL),
FOLLOWING POINTS WERE MADE BY SYRIAN SIDE.

3. PL-480 BALANCES.

A. SHARIF HAD REVIEWED FIGURES IN HIS FILES AND
AGREED WITH OUR FIGURE OF SYRIAN POUNDS (LS) 20,980,000
FOR THE FIRST GENERATION PL-480 BLOCKED BALANCE ACCOUNT
AND REITERATED SARG WOULD BE PLEASED TO UNBLOCK THIS
ACCOUNT WITH A LETTER FROM FINANCE MINISTRY TO CENTRAL
BANK SO THAT THE USG COULD REALLOCATE THESE FUNDS FOR
LENDING TO SARG FOR SYRIAN DEVELOPMENT PROJECTS AS MAY BE
JOINTLY AGREED UPON BY USG AND SARG. SHARIF AND IMADI
WERE AWARE THEY SHOULD NOT TAKE SUCH ACTION UNTIL
AGREEMENT REACHED ON SECOND GENERATION PL-480 LOAN PAYMENTS.

B. ACTION REQUESTED: IF AGREEMENT REACHED ON SECOND
GENERATION BALANCES, DISCUSSED BELOW, IS THIS LETTER PRO-
CEDURE SUFFICIENT? IT MAY BE FOR INTERNAL SARG UNBLOCKING
ACTION, BUT WE PRESUME WE WOULD ALSO WANT USG/SARG
EXCHANGE OF NOTES, SPELLING OUT OUR REALLOCATION PROCEDURE,
HOW JOINTLY AGREED PROJECTS ARE ARRIVED AT, WHETHER SPECIAL
ACCOUNT HAS TO BE ESTABLISHED, ETC. SINCE SARG AGREES WITH
OUR FIGURE AND OUR PROPOSAL FOR USE OF THESE FUNDS,
RECOMMEND DEPARTMENT BEGIN NOW TO DEVELOP APPROPRIATE
LANGUAGE AND INSTRUCTIONS FOR OUR EVENTUAL USE.

4. PL-480 BALANCE FROM DELINQUENT SECOND-GENERATION LOAN
REPAYMENTS:

A. SHARIF WAS IN BASIC AGREEMENT WITH OUR FIGURES
FOR TOTAL PRINCIPAL BALANCE ON THESE THREE LOANS
(L.S. 45.7 MILLION), DELINQUENT PRINCIPAL (L.S. 4.2 MILLION)
AND DELINQUENT INTEREST (L.S. 12.7 MILLION). (BASED ON
STATE 257449, WE EXPLAINED THAT WHEN DELINQUENT PRINCIPAL
PAID, PORTION OF PRINCIPAL NOT YET DUE WOULD BE K.S.
41.5 MILLION.) IMADI THEN PROPOSED SEVERAL ALTERNATIVES TO
PROPOSAL WE PRESENTED IN OUR NOV 20 AIDE MEMOIRE WHICH
WAS BASED ON PARA 3 C (2), STATE 235236.

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(1) IMADI'S FIRST SUGGESTED ALTERNATIVE WAS THAT SARG
TREAT TOTAL L.S. 45.7 MILLION SOMEWHAT SIMILAR TO FIRST
GENERATION UNBLOCKED FUNDS, I.E., FUNDS SHOULD BE CONSIDERED
AS GRANTED TO SARG FOR PROJECTS IN THE PAST; AS "CIRCUM-
STANCES (OF NO KIPLOMATIC RELATIONS) PREVENTED" REPAYMENT, THIS
SUM SHOULD IN EFFECT BE WRITTEN OFF. WE OF COURSE COUNTERED
"PREVENTION OF PAYMENT" ARGUMENT, CITING CONTINUAL USG FORWARDING
THROUGH ITALIANS BETWEEN 1967 AND 1974 OF CORRESPONDENCE

TO APPROPRIATE SARG AUTHORITIES AS AMOUNTS FELL DUE.

(2) SENSING HIS FIRST ALTERNATIVE WAS "NO GO", IMADI PROPOSED AS A SECOND ALTERNATIVE THAT USG DROP CLAIM FOR DELINQUENT PRINCIPAL AND INTEREST TOTAL OF L.S. 16.9 MILLION (4.2 PLUS 12.7 MILLION), AND SARG BEGAN IMMEDIATELY TO MAKE PAYMENTS ON THREE LOANS AS PAYMENTS FELL DUE IN THEIR SEMI-ANNUAL INSTALLMENTS AS SET FORTH IN PAYMENT SCHEDULES IN THE THREE LOAN AGREEMENTS. WE ARGUED THIS WAS CONSIDERABLE SUM FOR USG TO WRITE OFF, SARG HAD INDEED SIGNED AGREEMENTS IN GOOD FAITH AND HAD OBTAINED ECONOMIC BENEFIT FROM PROJECTS SUPPORTED BY THESE LOANS, ETC.

(3) IMADI COUNTERED WITH THIRD ALTERNATIVE: DIVIDE DELINQUENT PRINCIPAL AND INTEREST, WITH SARG PAYING DELINQUENT PRINCIPAL AND USG DROPPING CLAIM TO DELINQUENT INTEREST. WE ASKED IF HE MEANT SARG WOULD PAY DELINQUENT PRINCIPAL (L.S. 4.2 MILLION) IMMEDIATELY. IMADI SAID HE WOULD PREFER NOT TO HAVE TO MAKE ANY IMMEDIATE LARGE PAYMENTS AND SUGGESTED WHOLE L.S. 45.7 MILLION BE RESCHEDULED, BEGINNING THE 53 PAYMENT INSTALLMENTS NOW AT THE SAME INTEREST AS WAS IN ALL THREE AGREEMENTS (FOUR PERCENT).

(A) A VARIATION OF IMADI' THIRD ALTERNATIVE WAS THAT SARG MAINTAIN PAYMENT SCHEDULE AS IN AGREEMENT, BUT THAT PAYMENT OF DELINQUENT PRINCIPAL, L.S. 4.2 MILLION, BE SCHEDULED AT END OF 53 PAYMENTS IN A MANNER SIMILAR TO PREVIOUS PAYMENTS.

(B) AS A FURTHER VARIATION, WE RAISED ALTERNATIVE OF RESCHEDULING TOTAL PRINCIPAL BALANCE (L.S. 45.7) PLUS DELINQUENT INTEREST (L.S. 12.7 MILLION).

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B. WE ALSO STRESSED SYRIA HAD HAD ECONOMIC BENEFIT OF USE OF THESE FUNDS SINCE SIGNATURE OF AGREEMENTS IN 1960 (276-G-002 AND 276-G-005) AND 1962 (276-G-006). IN ORDER TO REPAY THIS "GAIN" WITHOUT HAVING TO PAY FOR IT FOR 12 TO 14 YEARS, SARG SHOULD AGREE TO RESCHEDULING LOAN REPAYMENTS ON COMPRESSED TIMETABLE SO USG WOULD RECEIVE FUNDS MORE QUICKLY AND MATCH PREVIOUS SARG ECONOMIC BENEFIT GAIN. IMADI UNDERSTOOD THIS ECONOMIC ARGUMENT, BUT MADE NO REAL COMMENT IN RESPONSE.

C. ACTIONS REQUESTED:

(1) IF RESCHEDULING IN ONE FORM OR ANOTHER CAN BE CONSIDERED, WHAT WOULD INTEREST PERCENTAGE BE WHEN ALL THREE DEBTS COMBINED AND RESCHEDULED: ORIGINAL FOUR PER CENT AS IN ALL THREE AGREEMENTS, LOWER CURRENT TWO TO THREE PER CENT PL-480 INTEREST RATES, OR A HIGHER RATE?

(2) WOULD APPRECIATE COMMENTS ON ABOVE ALTERNATIVES AND WHETHER DEPARTMENT WANTS US TO RETURN WITH DEPARTMENT-SUPPLIED VARIATIONS ON ANY OF THESE ALTERNATIVES.

5. FAA DOLLAR LOAN FOR GRAIN STORAGE.

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A. IMADI ASKED IF WE HAD ANY FURTHER INFORMATION ON WHETHER ACTUAL MATERIAL WAS TURNED OVER TO SARG PRIOR TO LOAN CANCELLATION. WE SAID DEPARTMENT WAS CHECKING WITH RALPH M. PARSONS COMPANY (PARA 4, DAMASCUS 2873) AND WE WOULD BE BACK TO HIM ON THIS QUESTION.

B. WE LOOK FORWARD TO RECEIVING OTHER NEGOTIATING OPTIONS ON THIS LOAN AS PROMISED PARA 3, STATE 261312.

6. EXPORT-IMPORT BANK CLAIM.

A. DEPUTY ECONMIN AZMEH SAID HE HAD REVIEWED ASSESSMENT PROCEDURE AND FIGURES IN BOUSTANI NATIONALIZATION CASE, AS HE HAD PROMISED HE WOULD DO AT LAST MEETING, AND RESULTS WERE THAT ASSETS OF FIRM TOTALED L.S. 520,050 AND LIABILITIES WERE L.S. 2,217,080, LEAVING A DEFICIT OF L.S. 1,697,030

NO PAYMENTS OF OLD WAGES/SALARIES, TAXES, BANK DEBTS, ETC.,

HAVE YET BEEN PAID AND AZMEH SUGGESTED WE ADD EXIM CLAIM TO LIABILITIES. OBVIOUSLY EXIM WOULD NOT GET FULL IF ANY REPAYMENT AS OTHER LIABILITIES HAD PRIORITY UNDER SYRIAN LAW. WE ASKED ABOUT PROVISION FOR THREE PER CENT, 15-YEAR BONDS MADE IN DECREE NO. 77 OF APRIL 24, 1965 NATIONALIZING FIRM. THEY REPLIED THAT, AS WITH ALL OTHER NATIONALIZED FIRMS, SARG HAS NEVER MADE ANY SUCH PAYMENTS ON THESE BONDS AND THUS THESE CANNOT BE COUNTED AS ASSETS OF BOUSTANI FIRM.

B. WE THEN ASKED ABOUT EXIM REP MALLOY'S CONVERSATION WITH HALAJE OF SARG MINISTRY OF ECONOMY IN MAY 1971 WHEN HALAJE SAID SARG HAD INSTITUTED LEGAL PROCEEDINGS AGAINST BOUSTANI IN LEBANON. AZMEH SAID NO SUCCESSFUL CONCLUSION HAD BEEN REACHED IN THIS EFFORT. IMADI THEN VOLUNTEERED THAT BOUSTANI, ALONG WITH SEVERAL OTHER SYRIAN BUSINESSMEN WHO FLED TO LEBANON IN 1960'S NOW WANTED TO REOPEN BUSINESS IN SYRIA AND HAD JUST BEGUN NEGOTIATING REPAYMENT OF HIS DEBT OF AROUND L.S. 2 MILLION OWED TO COMMERCIAL BANK OF SYRIA (CBS) WHEN BOUSTANI WENT TO LEBANON IN 1965. IMADI SAID HE WOULD INSTRUCT CBS TO ADD EXIM CLAIM TO TOTAL UNDER NEGOTIATION BETWEEN BOUSTANI AND CBS AND WOULD INFORM US OF PROGRESS ON THESE NEGOTIATIONS WITH BOUSTANI.

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C. ACTION REQUESTED:

(1) WE LOOK FORWARD TO EXIM DOCUMENTATION AND ANSWERS PROMISED PARA 5, STATE 271395. RECORD OF TYPE OF EQUIPMENT COVERED BY TWO BANK LOANS TO BOUSTANI IN 1963 AND 1964, IE., WAS IT NEW OR USED EQUIPMENT, INVENTORY LISTING WITH VALUE, ETC., MIGHT BE USEFUL IN ARGUING WITH AZMEH'S ASSET FIGURE OF L.S. 520,050 WHICH SEEMS LOW TO US. WTDR OF JUNE 7, 1965 ON BOUSTANI LISTED CAPITAL OF \$300,000, VOLUME OF BUSINESS AT \$700,000, AND ASSETS IN SYRIA AND LEBANON AT \$275-300,000.

(2) WOULD ALSO APPRECIATE NEA/ARN AND EXIM CONSULTING WITH LATEST IBRD AND IMF DATA ON CURRENT MAGNITUDE OF SYRIAN EXTERNAL DEBT AND DEBT-SERVICING REQUIREMENTS SINCE OUR LATEST IBRD ECONOMIC REPORT (121A-SYR, MAY 7, 1973) AND IMF REPORT (SM/74/57, MARCH 13, 1974) INDICATE MAGNITUDE NOT GREAT AT TIME REPORTS WRITTEN AND 1975 MORE OR LESS WATERSHED WITH DEBT SERVICE BURDEN DECLINING.

7. PRIVATE CLAIMS: WE HAD EARLIER GIVEN IMADI AND SHARIF THE TEXTS OF NOTICES TO BE PUBLISHED CONCERNING PRIVATE CLAIMS. THEY HAD NO CHANGES TO SUGGEST AND DEPARTMENT SHOULD PROCEED WITH PUBLICATION, CABLING US DATE OF PUBLICATION AND POUCHING TO US ACTUAL COPIES AS THEY APPEAR IN FEDERAL REGISTER, STATE DEPARTMENT BULLETIN, AND DEPARTMENT'S PRESS

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